

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY	)	
UTILITIES COMPANY FOR APPROVAL OF ITS	)	CASE NO.
2025 COMPLIANCE PLAN FOR RECOVERY BY	)	2025-00105
ENVIRONMENTAL SURCHARGE	)	

APPLICATION

Kentucky Utilities Company (“KU” or the “Company”), pursuant to KRS 278.183 and applicable sections of 807 KAR Chapter 5, hereby applies to the Kentucky Public Service Commission (“Commission”) for an order approving KU’s amended Environmental Compliance Plan (“2025 Plan”) for purposes of recovering through KU’s Environmental Cost Recovery (“ECR”) Surcharge (Adjustment Clause ECR) the costs of adding a single new project, Project 45, to construct, operate, and maintain a selective catalytic reduction (“SCR”) system for Unit 2 at the Ghent Generating Station in Carroll County, Kentucky (“Ghent 2”). Adding the Ghent 2 SCR will help ensure KU’s ongoing compliance with the federal Clean Air Act as amended (“CAAA”), particularly the U.S. Environmental Protection Agency’s (“EPA”) 2015 National Ambient Air Quality Standards for Ozone (“2015 Ozone NAAQS”), which the EPA promulgated under its CAAA authority.

KU further applies to the Commission for authority to record a regulatory asset for its customer notice cost for this application and then to amortize that asset and recover KU’s customer notice cost over twelve months through KU’s ECR Surcharge. Additionally, KU applies for a declaration that it may recover through its ECR Surcharge future compliance plan customer notice costs when incurred.

KU further applies to the Commission for approval of its revised ECR Surcharge tariff sheets. First, KU proposes to revise its revised ECR Surcharge tariff sheets to include recovery of Commission-approved “Administrative Expenses,” which would include the proposed recovery of customer notice costs and any other ECR administrative expenses the Commission approves for ECR Surcharge recovery in later proceedings. Second, KU proposes to change the issue and effective dates of its revised ECR Surcharge tariff sheets, as well as its revised Environmental Surcharge (“ES”) reporting forms, which KU has revised to reflect Project 45 and the proposed recovery of KU’s customer notice costs.

KU further applies to the Commission for approval to use its currently authorized return on equity (“ROE”) for all ECR Plan cost recovery purposes, including Project 45, until the Commission approves a new ROE for the ECR Surcharge, which KU anticipates requesting in the base rate application it plans to file on May 30, 2025.

KU also applies for approval to use existing depreciation rates for the Ghent 2 SCR until the Commission approves new depreciation rates in the base rate case for which KU will file an application with the Commission on May 30, 2025.

Finally, KU notes it is filing a separate motion asking the Commission to consolidate this case with Case No. 2025-00045, in which KU requests a certificate of public convenience and necessity (“CPCN”) for the Ghent 2 SCR.¹ As the testimony of Robert M. Conroy explains, KU’s application in this case depends almost entirely on the Commission’s granting a CPCN to construct the Ghent 2 SCR in Case No. 2025-00045 (“2025 CPCN Case”), making consolidation appropriate.

¹ *Electronic Joint Application of Kentucky Utilities Company and Louisville Gas and Electric Company for Certificates of Public Convenience and Necessity and Site Compatibility Certificates*, Case No. 2025-00045, Application (Feb. 28, 2025).

In support of this Application, KU states as follows:

1. Address: Applicant KU's full name and business address are: Kentucky Utilities Company, One Quality Street, Lexington, Kentucky 40507. KU's mailing address is Kentucky Utilities Company c/o Louisville Gas and Electric Company, 2701 Eastpoint Parkway, Louisville, Kentucky 40223.

KU may be reached by electronic mail at the electronic mail addresses of its counsel set forth below.

2. KU is incorporated in the Commonwealth of Kentucky and the Commonwealth of Virginia, and attests it is in good corporate standing in both states. KU was incorporated in Kentucky on August 17, 1912, and in Virginia on November 26, 1991.

3. KU is a public utility, as defined in KRS 278.010(3)(a), engaged in the electric business. KU generates and purchases electricity, and it distributes and sells electricity at retail in the following counties in Central, Northern, Southeastern, and Western Kentucky:

Adair	Edmonson	Jessamine	Ohio
Anderson	Estill	Knox	Oldham
Ballard	Fayette	Larue	Owen
Barren	Fleming	Laurel	Pendleton
Bath	Franklin	Lee	Pulaski
Bell	Fulton	Lincoln	Robertson
Bourbon	Gallatin	Livingston	Rockcastle
Boyle	Garrard	Lyon	Rowan
Bracken	Grant	Madison	Russell
Bullitt	Grayson	Marion	Scott
Caldwell	Green	Mason	Shelby
Campbell	Hardin	McCracken	Spencer
Carlisle	Harlan	McCreary	Taylor
Carroll	Harrison	McLean	Trimble
Casey	Hart	Mercer	Union
Christian	Henderson	Montgomery	Washington
Clark	Henry	Muhlenberg	Webster
Clay	Hickman	Nelson	Whitley
Crittenden	Hopkins	Nicholas	Woodford
Daviess			

4. Pursuant to 807 KAR 5:001 Section 8, on March 28, 2025, the Company filed with the Commission notice of its intent to use electronic filing procedures in this proceeding. Copies of all orders, pleadings, and other communications related to this proceeding should be directed to:

Robert M. Conroy
Vice President, State Regulation and Rates
LG&E and KU Services Company
2701 Eastpoint Parkway
Louisville, Kentucky 40223
robert.conroy@lge-ku.com

Andrea M. Fackler
Manager, Revenue Requirement/Cost of Service
LG&E and KU Services Company
2701 Eastpoint Parkway
Louisville, Kentucky 40223
andrea.fackler@lge-ku.com

Allyson K. Sturgeon
Vice President and Deputy General Counsel - Regulatory
Sara V. Judd
Senior Counsel
PPL Services Corporation
2701 Eastpoint Parkway
Louisville, Kentucky 40223
asturgeon@pplweb.com
svjudd@pplweb.com

W. Duncan Crosby III
Stoll Keenon Ogden PLLC
400 West Market Street, Suite 2700
Louisville, Kentucky 40202
duncan.crosby@skofirm.com

Lindsey W. Ingram III
Mary Ellen Wimberly
Stoll Keenon Ogden PLLC
300 West Vine Street, Suite 2100
Lexington, Kentucky 40507-1801
l.ingram@skofirm.com
maryellen.wimberly@skofirm.com

**Request for Approval of KU's 2025 Environmental Compliance Plan
for Recovery by Environmental Surcharge**

5. Pursuant to KRS 278.183(1), KU is “entitled to the current recovery of its costs of complying with the Federal Clean Air Act as amended and those federal, state, or local environmental requirements which apply to coal combustion wastes and by-products from facilities utilized for production of energy from coal in accordance with the utility’s compliance plan”

6. As explained in the testimony of David L. Tummonds and Philip A. Imber, constructing, operating, and maintaining the Ghent 2 SCR (Project 45 in KU’s 2025 Plan) will reduce nitrogen oxide (“NOx”) emissions from Ghent 2. Such emissions are precursors to ozone, the reduction of which will therefore help ensure ongoing compliance with the 2015 Ozone NAAQS, which the EPA promulgated under its CAAA authority. The costs of Project 45 will thus be “costs of complying with the Federal Clean Air Act as amended and those federal, state, or local environmental requirements which apply to coal combustion wastes and by-products from facilities utilized for production of energy from coal in accordance with the utility’s compliance plan,” which KRS 278.183(1) entitles KU to recover through its ECR Surcharge.

7. Notably, the Commission approved ECR Surcharge cost recovery (as well as a CPCN) for a Ghent 2 SCR almost 20 years ago.² KU has been able to avoid making that investment until now because KU and its sister utility, Louisville Gas and Electric Company (collectively, “Companies”), have over-controlled NOx emissions at their other coal-fired units with SCRs. But as Mr. Imber explains, it now appears likely that additional NOx reductions will be required in the near term. Because Ghent 2 is one of a small minority of coal-fired generating

² *Application of Kentucky Utilities Company for a Certificate of Public Convenience and Necessity to Construct a Selective Catalytic Reduction System and Approval of Its 2006 Compliance Plan for Recovery by Environmental Surcharge*, Case No. 2006-00206, Order at 19-20 (Ky. PSC Dec. 21, 2006).

units not expected to retire in the next few years that lacks post-combustion NOx controls, it is a natural target for compliance efforts.

8. KU's 2025 Plan, which consists only of Project 45 to construct, operate, and maintain the Ghent 2 SCR, is attached hereto as Application Exhibit 1, which Mr. Tummonds sponsors.

9. Page 1 of the 2025 Plan (Application Exhibit 1) shows KU's total projected capital cost of \$152.3 million to build the Ghent 2 SCR under Project 45, which KU seeks to recover through its ECR Surcharge. KU expects to enter into an engineering, procurement, and construction contract for the Ghent 2 SCR by the end of 2025, begin constructing the Ghent 2 SCR in 2026, and achieve commercial operation in 2028. KU expects to finance the cost of the Ghent 2 SCR with a combination of new debt and equity. KU's proposed financing of such costs is discussed in the direct testimony of Mr. Conroy, which accompanies this application and is incorporated herein by reference.

10. KU expects Project 45 will create annual operating costs beginning in 2028, for which costs KU is seeking ECR Surcharge recovery in this proceeding. The projected annual fixed O&M and variable costs are shown on page 2 of Application Exhibit 1, which the Company projects will be \$1.0 million in 2028 when the SCR is placed in service and \$1.4 million in 2029. KU is also seeking ECR Surcharge recovery of the costs of future reoccurring capital investments for the Ghent 2 SCR, namely catalyst replacements, the first of which will occur after 2029.

Request for ECR Recovery of Notice Cost

11. KU requests Commission approval to establish a regulatory asset for its customer notice cost for this application (estimated to be \$359,976) and then to amortize that asset over 12 months beginning with October 2025, which is the expense month for which KU proposes to begin

cost recovery for Project 45 of the 2025 Plan. KU further requests Commission approval to recover those amortized costs through its ECR Surcharge.

12. As Andrea M. Fackler explains in her testimony, the Commission should approve such regulatory deferral accounting treatment and ECR Surcharge cost recovery because it would be consistent with the Commission's Orders in at least two other ECR cases.³ Also, it would not result in double-recovery of such cost because it is not a cost KU currently recovers through base rates.

13. KU further asks the Commission to grant KU ongoing authority to use its ECR Surcharge to recover future ECR compliance plan customer notice costs when and as incurred. This approach for future customer notice cost recovery would: (1) improve administrative efficiency by eliminating the need for KU to request, and the Commission to consider and grant, authority to recover such costs in each future ECR compliance plan proceeding; (2) improve administrative efficiency by obviating the need for regulatory deferral accounting for such future costs; and (3) preserve the Commission's ability to review such costs in future ECR compliance plan review proceedings.

**Request for Approval of Revised ECR Surcharge Tariff Sheets
and Revised Environmental Surcharge Forms**

14. KU requests Commission approval of its revised ECR Surcharge tariff sheets. As Ms. Fackler explains, KU proposes to revise its ECR Surcharge tariff sheets to include recovery

³ *Electronic Application of Big Rivers Electric Corporation for Approval of its 2020 Environmental Compliance Plan, Authority to Recover Costs through a Revised Environmental Surcharge and Tariff, the Issuance of a Certificate of Public Convenience and Necessity for Certain Projects, and Appropriate Accounting and Other Relief*, Case No. 2019-00435, Order at 15-16, 23-24, and 27 (Ky. PSC Aug. 6, 2020); *Application of Big Rivers Electric Corporation for Approval of its 2012 Environmental Compliance Plan, for Approval of Its Amended Environmental Cost Recovery Surcharge Tariff, for Certificates of Public Convenience and Necessity, and for Authority to Establish a Regulatory Account*, Case No. 2012-00063, Order at 19 (Ky. PSC Oct. 1, 2012). Note that the Commission approved ECR cost recovery for the amortization of the regulatory asset it approved for Big Rivers' ECR case cost in Case No. 2019-00435 in a later Order in a separate case. *Electronic Application of Big Rivers Electric Corporation for Annual Report on MRSB Credit*, Case No. 2021-00061, Order at 12 (Ky. PSC June 9, 2021).

of Commission-approved “Administrative Expenses,” which would include the proposed recovery of customer notice costs and any other ECR administrative expenses the Commission approves for ECR Surcharge recovery in later proceedings. Second, KU proposes to change the issue and effective dates of its revised ECR Surcharge tariff sheets. In accordance with KRS 278.183(2), the revised ECR Surcharge tariff sheets have an issue date of April 30, 2025, and KU proposes for them to be effective on October 31, 2025. Therefore, bills issued during billing cycles beginning with KU’s December 2025 billing cycle, which begins on December 1, 2025, will reflect the revised ECR Surcharge for expense months beginning with October 2025. KU’s revised ECR Surcharge tariff sheets are attached hereto as Application Exhibit 2.

15. KU further requests Commission approval of its revised ECR Surcharge to reflect the recovery of the costs associated with the 2025 Plan and the requested customer notice cost recovery.

16. A detailed summary of the facts and compliance requirements supporting this application and motion is set forth in the direct testimony and exhibits of the Company’s witnesses:

- **Robert M. Conroy**, Vice President, State Regulation and Rates, presents testimony summarizing the Company’s other witnesses’ testimony and KU’s request for approval of the 2025 Plan. Mr. Conroy also discusses KU’s proposal to use the currently approved 9.35% return on equity (“ROE”) for the ECR Surcharge (Adjustment Clause ECR) for all ECR Plans, including the 2025 Plan, until the Commission approves a new ROE for KU’s ECR Surcharge in the base rate case KU will file with the Commission on May 30, 2025. Finally, Mr. Conroy describes the circumstances leading KU to file for approval of the 2025 Plan separately from the Companies’ pending joint application for CPCNs and site compatibility

certificates in the 2025 CPCN Case, and why consolidation of this case with the 2025 CPCN Case is appropriate.

- **Andrea M. Fackler**, Manager, Revenue Requirement/Cost of Service, presents testimony concerning how KU will include the 2025 Plan in its ECR Surcharge, explaining that KU's methodology for calculating its ECR Surcharge will remain the same other than one modification, and KU's ECR Surcharge tariff sheets will remain the same other than one modification and an update to the issue and effective dates. Ms. Fackler further explains that KU does not currently recover any of the 2025 Plan's costs through base rates, and she presents KU's proposed depreciation rate approach for the 2025 Plan. Ms. Fackler supports KU's request to establish a regulatory asset for the cost of the required customer notice for this application and to recover the amortization of that asset over 12 months. Ms. Fackler also supports KU's request to use its ECR Surcharge to recover its future compliance plan customer notice costs when and as incurred. Finally, she presents KU's proposed revisions to its monthly Environmental Surcharge reporting forms ("ES Forms") and discusses the bill impact on KU's customers.
- **David L. Tummonds**, Senior Director, Project Engineering, presents testimony sponsoring KU's 2025 Plan and supporting the timeline, capital cost, and O&M expenses for Project 45.
- **Philip A. Imber**, Director, Environmental Compliance, presents testimony explaining why constructing, operating, and maintaining the Ghent 2 SCR will help ensure ongoing compliance with the 2015 Ozone NAAQS and concludes that, because the Ghent 2 SCR will help KU comply with such regulations, the

Commission should find that the costs of the 2025 Plan are costs of complying with the federal Clean Air Act as amended.

17. If the Commission does not consolidate this proceeding with Case No. 2025-00045 and to the extent the Commission deems it necessary to ensure a complete evidentiary record in this case as a standalone proceeding, KU moves the Commission to incorporate by reference into the record of this proceeding the Direct Testimony of Stuart A. Wilson and the Direct Testimony of Tim A. Jones, including all exhibits and workpapers, filed in Case No. 2025-00045.

Compliance with Customer Notice Requirements

18. 807 KAR 5:011, Section 8 states in relevant part, “A utility shall provide notice if a charge ... is changed, revised, or initiated and the change will affect the amount that a customer pays for service” Because KU’s proposals will change or revise charges under its ECR Surcharge tariff provisions, which will affect amounts customers pay for service, KU is complying with the notice requirements of 807 KAR 5:011, Section 8.

19. In accordance with the Commission’s April 23, 2025 Order in this proceeding, KU is complying with 807 KAR 5:011, Section 8(1)(a) by posting KU’s customer notice at KU’s office at One Quality Street, Lexington, Kentucky 40507 in a visible location on the exterior of the building accessible to the public.

20. Pursuant to 807 KAR 5:011, Section 8(1)(b), KU has posted on its website a copy of the customer notice and a hyperlink to the Commission’s website where the customer notice, application, and other filings are available.⁴

21. Pursuant to 807 KAR 5:011, Section 8(2)(b), KU is providing notice to its customers by newspaper publication of its proposals herein, the contents of which comply with

⁴ See the “Current applications” heading of the Regulatory page (<https://lge-ku.com/our-company/regulatory>).

the requirements of 807 KAR 5:011, Section 8(4). In addition, this application and supporting testimony and exhibits are available for public inspection at KU's office at One Quality Street, Lexington, Kentucky 40507. KU is also posting this application and supporting testimony and exhibits on its website.⁵

22. Pursuant to 807 KAR 5:011, Section 8(3), KU will file proof of completed notice within 45 days of the date of this application.

WHEREFORE, Kentucky Utilities Company respectfully asks the Commission to enter an order on or before October 31, 2025:

1. Approving the addition of Project 45 to KU's Environmental Compliance Plan for purposes of recovering the costs of the project through the Company's ECR Surcharge;

2. Authorizing KU to record a regulatory asset for its customer notice cost for this application and to amortize that asset over 12 months and recover said amortization through the Company's ECR Surcharge;

3. Granting KU ongoing authority to use its ECR Surcharge to recover future ECR compliance plan customer notice costs when and as incurred;

4. Approving the proposed ECR Surcharge tariff sheets and revised Environmental Surcharge reporting forms for the recovery of the costs of the 2025 Plan and KU's customer notice costs beginning with the October 2025 expense month, which costs KU will collect beginning with bills issued for KU's December 2025 billing cycle, which begins on December 1, 2025;

5. Approving the continued use of the currently authorized return on equity for ECR Surcharge purposes, including Project 45, until the Commission approves a new return on equity

⁵ *Id.*

for the ECR Surcharge, which KU anticipates requesting in the base rate application it plans to file on May 30, 2025;

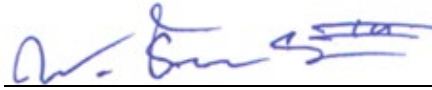
6. Approving the proposed use of KU's existing depreciation rates for the Ghent 2 SCR until the Commission approves new depreciation rates in the base rate case for which KU will file an application with the Commission on May 30, 2025;

7. Incorporating by reference into the record of this proceeding the Direct Testimony of Stuart A. Wilson and the Direct Testimony of Tim A. Jones, including all exhibits and workpapers, filed in Case No. 2025-00045, but only if the Commission does not consolidate this proceeding with Case No. 2025-00045 and only to the extent the Commission deems it necessary to ensure a complete evidentiary record in this case as a standalone proceeding; and

8. Granting such other relief as KU may be entitled under law.

Dated: April 30, 2025

Respectfully submitted,



W. Duncan Crosby III
Stoll Keenon Ogden PLLC
400 W. Market Street, Suite 2700
Louisville, Kentucky 40202
Telephone: (502) 333-6000
Fax: (502) 627-8722
duncan.crosby@skofirm.com

Lindsey W. Ingram III
Mary Ellen Wimberly
Stoll Keenon Ogden PLLC
300 West Vine Street, Suite 2100
Lexington, Kentucky 40507-1801
Telephone: (859) 231-3000
Fax: (859) 259-3503
l.ingram@skofirm.com
maryellen.wimberly@skofirm.com

Allyson K. Sturgeon
Vice President and Deputy General Counsel -
Regulatory
Sara V. Judd
Senior Counsel
PPL Services Corporation
2701 Eastpoint Parkway
Louisville, Kentucky 40223
Telephone: (502) 627-2088
Fax: (502) 627-3367
ASturgeon@pplweb.com
SVJudd@pplweb.com

Counsel for Kentucky Utilities Company

CERTIFICATE OF COMPLIANCE

In accordance with 807 KAR 5:001, Section 8 as modified by the Commission's Order of July 22, 2021 in Case No. 2020-00085 (Electronic Emergency Docket Related to the Novel Coronavirus COVID-19), this is to certify that the electronic filing has been transmitted to the Commission on April 30, 2025; and that there are currently no parties in this proceeding that the Commission has excused from participation by electronic means.

A handwritten signature in blue ink, appearing to read "A. B. Smith", is written above a horizontal line.

Counsel for Kentucky Utilities Company

Exhibit 1 – 2025 Environmental Compliance Plan

KENTUCKY UTILITIES COMPANY
2025 ENVIRONMENTAL COMPLIANCE PLAN (CASE NO. 2025-00105)

Project	Air Pollutant or Waste/By-Product To Be Controlled	Pollution Control Facility	Generating Station	Environmental Regulation*	Environmental Permit*	Scheduled Completion Year	Estimated Projected Capital Cost (in millions)
45	NOx	Selective Catalytic Reduction (SCR)	Ghent	Federal Clean Air Act as Amended (CAAA) and 2015 National Ambient Air Quality Standards for Ozone (2015 Ozone NAAQS)	Title V-23-016 Permit	2028	\$152.3
Total							\$152.3

*Sponsored by Witness Imber

KENTUCKY UTILITIES COMPANY
2025 ENVIRONMENTAL COMPLIANCE PLAN (CASE NO. 2025-00105)

Project	Air Pollutant or Waste/By-Product To Be Controlled	Pollution Control Facility	Generating Station	Estimated Annual Operations and Maintenance Costs (Through 2032) (in millions) (Note 1)				
				2028	2029	2030	2031	2032
45	NOx	Selective Catalytic Reduction (SCR)	Ghent	\$1.0	\$1.4	\$1.3	\$1.3	\$1.5
Total				\$1.0	\$1.4	\$1.3	\$1.3	\$1.5

Note 1: O&M costs are not expected to be incurred until the SCR is placed into service in 2028.

Exhibit 2 – Environmental Cost Recovery Surcharge Tariff Sheets

Adjustment Clause**ECR****Environmental Cost Recovery Surcharge****APPLICABLE**

In all territory served.

AVAILABILITY

This schedule is mandatory to all rate schedules listed in Section 1 of the General Index except Rate PSA and Special Charges, all Pilot Programs listed in Section 3 of the General Index, and FAC (including OSS) and DSM Adjustment Clauses. Rate schedules subject to this adjustment clause are divided into Group 1 or Group 2 as follows:

Group 1: Rates RS; RTOD-Energy; RTOD-Demand; VFD; AES; LS; RLS; LE; and TE.

Group 2: Rates GS; GTOD-Energy; GTOD-Demand; PS; TODS; TODP; RTS; FLS; EVSE; EVC-L2; EVC-FAST; and OSL.

RATE

The monthly billing amount under each of the schedules to which this mechanism is applicable, shall be increased or decreased by a percentage factor calculated in accordance with the following formula.

$$\text{Group Environmental Surcharge Billing Factor} = \text{Group E(m)} / \text{Group R(m)}$$

As set forth below, Group E(m) is the sum of Jurisdictional E(m) of each approved environmental compliance plan revenue requirement of environmental compliance costs for the current expense month allocated to each of Group 1 and Group 2. Group R(m) for Group 1 is the twelve (12) month average revenue for the current expense month and for Group 2 it is the twelve (12) month average non-fuel revenue for the current expense month.

DEFINITIONS

1. For all Plans, $E(m) = [(RB/12) (ROR + (ROR - DR) (TR / (1 - TR)))] + OE - BAS + BR$
 - a. RB is the Total Environmental Compliance Rate Base.
 - b. ROR is the Rate of Return on Environmental Compliance Rate Base, designated as the overall rate of return [cost of short-term debt, long-term debt, preferred stock, and common equity].
 - c. DR is the Debt Rate [cost of short-term debt and long-term debt].
 - d. TR is the Composite Federal and State Income Tax Rate.
 - e. OE is the Operating Expenses. OE includes operation and maintenance expense recovery authorized by the Kentucky Public Service Commission in all approved ECR Plan proceedings.
 - f. BAS is the total proceeds from by-product and allowance sales.
 - g. BR is the operation and maintenance expenses, and/or revenues if applicable, associated with Beneficial Reuse.
 - h. Plans are the environmental surcharge compliance plans submitted to and approved by the Kentucky Public Service Commission pursuant to KRS 278.183.

DATE OF ISSUE: April 30, 2025

DATE EFFECTIVE: October 31, 2025

ISSUED BY: /s/ Robert M. Conroy, Vice President
State Regulation and Rates
Lexington, Kentucky

**Issued by Authority of an Order of the
Public Service Commission in Case No.
2025-00105 dated XXXX**

Adjustment Clause

ECR

Environmental Cost Recovery Surcharge

DEFINITIONS (continued)

2. Total E(m) (sum of each approved environmental compliance plan revenue requirement) is multiplied by the Jurisdictional Allocation Factor. Jurisdictional E(m) is adjusted for any (Over)/Under collection or prior period adjustment, by the addition of Commission-approved Administrative Expenses, and by the subtraction of the Revenue Collected through Base Rates for the Current Expense month to arrive at Adjusted Net Jurisdictional E(m). Adjusted Net Jurisdictional E(m) is allocated to Group 1 and Group 2 on the basis of Revenue as a Percentage of Total Revenue for the twelve (12) months ending with the Current Month to arrive at Group 1 E(m) and Group 2 E(m). T T
3. The Group 1 R(m) is the average of total Group 1 monthly base revenue for the twelve (12) months ending with the current expense month. Base revenue includes customer, energy, and lighting charges for each rate schedule included in Group 1 to which this mechanism is applicable and automatic adjustment clause revenues for the Fuel Adjustment Clause, Off-System Sales Adjustment Clause, and the Demand-Side Management Cost Recovery Mechanism as applicable for each rate schedule in Group 1.
4. The Group 2 R(m) is the average of total Group 2 monthly base non-fuel revenue for the twelve (12) months ending with the current expense month. Base non-fuel revenue includes customer, non-fuel energy, and demand charges for each rate schedule included in Group 2 to which this mechanism is applicable and automatic adjustment clause revenues for the Demand-Side Management Cost Recovery Mechanism as applicable for each rate schedule in Group 2. Non-fuel energy is equal to the tariff energy rate for each rate schedule included in Group 2 less the base fuel factor as defined on Sheet No. 85.1, Paragraph 6.
5. Current expense month (m) shall be the second month preceding the month in which the Environmental Surcharge is billed.

DATE OF ISSUE: April 30, 2025
DATE EFFECTIVE: October 31, 2025

ISSUED BY: /s/ Robert M. Conroy, Vice President
State Regulation and Rates
Lexington, Kentucky

**Issued by Authority of an Order of the
Public Service Commission in Case No.
2025-00105 dated XXXX**